

August 23, 2007

**Via Electronic Mail**

The Honorable Christopher Cox, Chairman  
U.S. Securities and Exchange Commission  
Attn: Nancy M. Morris, Secretary  
100 F Street, NE  
Washington, DC 20549  
Electronic Address: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Re: SEC File Number S-7-10-07; Revisions to the Eligibility Requirements for Primary Securities Offerings on Forms S-3 and F-3**

Dear Chairman Cox:

The Office of Advocacy (Advocacy) of the Small Business Administration (SBA) respectfully submits this comment letter on the U.S. Securities and Exchange Commission's (SEC) proposed rule, *Revisions to the Eligibility Requirements for Primary Securities Offerings on Forms S-3 and F-3*.<sup>1</sup> Advocacy supports this proposal to allow qualified smaller public companies to utilize shelf registrations, because it will provide efficiency and flexibility for these small entities in accessing the public markets. Advocacy is pleased that the SEC is considering this proposal and five other small business initiatives that were recommended by the SEC's Advisory Committee on Smaller Public Companies (Advisory Committee).<sup>2</sup>

While these proposals will be helpful, Advocacy is concerned that smaller public companies still face the large and disproportionate costs of internal controls reporting requirements under Section 404 of the Sarbanes-Oxley Act of 2002. Even with the availability of shelf registrations, excessive costs of Section 404 compliance will restrict the ability of a new generation of small, innovative companies from seeking capital in the U.S. capital markets. Advocacy recommends that the SEC reconsider the Advisory Committee's central recommendation, to provide an extension for smaller public

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<sup>1</sup> *Revisions to the Eligibility Requirements for Primary Securities Offerings on Forms S-3 and F-3*, 72 Fed. Reg. 35118 (June 26, 2007).

<sup>2</sup> *Revisions to Rule 144 and Rule 145*, 72 Fed. Reg. 36822 (July 5, 2007); *Electronic Filing of Form D*, 72 Fed. Reg. 37376 (July 9, 2007); *Exemption of Compensatory Employee Stock Options From Registration*, 72 Fed. Reg. 37608 (July 10, 2007); *Smaller Reporting Company Regulatory Relief*, 72 Fed. Reg. 39670 (July 19, 2007); *Revisions in Regulation D*, 72 Fed. Reg. 45116 (Aug. 10, 2007).









